FINANCE FOR STARTUPS

"THE MORE YOU LEARN, THE MORE YOU EARN."
-WARREN BUFFETT

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Why are financials important?

Maintaining a clear and organized financial picture is essential for long-term success, enabling owners to assess profitability, control costs, and manage cash flow effectively.

Financials are the lifeblood of small businesses, offering critical insights into their economic health and operations.

"Finance is the heart and soul of small businesses; it's the rhythm that keeps the entrepreneurial spirit alive."
**Value Driven Pricing**
The price is set in a range determined by what customers are willing to pay.

**Revenue**
The money your business makes from selling products or services.

**Cash Flow**
The money coming in and going out of your business, like what’s in your bank account.

**Cost Driven Pricing**
Focuses on the costs when determining price

**Expenses**
The costs your business incurs to operate, like rent, wages, and bills.

**Profit**
Profit is the money you have left after subtracting all your expenses from your revenue.
## Cost-Based vs Value-Based Pricing Models

<table>
<thead>
<tr>
<th>Areas</th>
<th>Cost-based pricing</th>
<th>Value-based pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus</td>
<td>Focuses on the costs when determining price</td>
<td>Focuses on the customers when determining price</td>
</tr>
<tr>
<td>Prices</td>
<td>The price is set between the floor and ceiling amount, usually influenced by market conditions.</td>
<td>The price is set in a range determined by what customers are willing to pay. The price is often equal or higher than if cost-based pricing was used.</td>
</tr>
</tbody>
</table>
VALUE-BASED PRICING MODEL

COST-BASED PRICING MODEL

ROLEX
PRADA
LAMBORGHINI

Southwest
Walmart

Apple
McDonald's

COMPONENTS OF A FINANCIAL PLAN

#1 Required Startup Funds
#2 Salaries and Wages
#3 Fixed Operating Costs
#4 Projected Sales
#5 Cash Receipts and Disbursements
STARTUP COSTS

Startup costs are the one-time expenses incurred when establishing a new business. They encompass various categories such as legal and regulatory fees, market research, office setup, equipment, inventory, marketing, technology, professional services, employee salaries, insurance, working capital, and other miscellaneous expenses.

<table>
<thead>
<tr>
<th>One Time Requirements Before Start-Up</th>
<th>Items Already Purchased:</th>
<th>Items Still Needed Before Start-Up:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal, Accounting &amp; Professional Services</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Advertising &amp; Promotions</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Deposits for Utilities</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Licenses &amp; Permits</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Prepaid Insurance</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Salary &amp; Wages</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Truck &amp; Vehicle</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Travel</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Tools &amp; Supplies</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Furniture &amp; Fixtures</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Machines &amp; Equipment</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Building Improvements</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Land &amp; Buildings</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Starting Inventory</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Cash (Working Capital)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other (specify)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>TOTAL</strong>:</td>
<td><strong>$0.00</strong></td>
<td><strong>$0.00</strong></td>
</tr>
</tbody>
</table>

TOTAL ESTIMATED START-UP COSTS (add both columns together) $0.00
Monthly costs, also known as operational expenses, are the regular, ongoing expenses that a business incurs to maintain its daily operations. These costs include rent, utilities, employee salaries, benefits, supplies, insurance, loan payments, marketing, and more.
Pricing strategy is the systematic approach a business takes to set the prices of its products or services. The choice of strategy should align with business goals, target markets, and the perceived value of the offering. It’s essential to adapt pricing strategies over time to remain competitive and profitable in the ever-changing marketplace.

- **Cost-Based Pricing:** Setting prices based on production costs plus a markup.
- **Competitive Pricing:** Adjusting prices in line with competitors.
- **Value-Based Pricing:** Determining prices based on the perceived value to customers.
- **Dynamic Pricing:** Real-time price adjustments based on various factors.
- **Price Testing:** Continuously adjusting prices based on market feedback and dynamics.
The rivalry between Coca-Cola and Pepsi is one of the most famous examples of competition-based pricing. Both companies constantly monitor each other's pricing and promotional strategies and adjust their prices accordingly to stay competitive.
The cost of production is the total expenses incurred by a business in creating its products or services. It includes both direct costs like materials and labor and indirect costs like overhead. Managing production costs is vital for pricing decisions and overall financial health, as it influences profitability and resource allocation.

- **Fixed Costs**: Costs that remain constant regardless of the level of production, such as rent and permanent staff salaries.
- **Variable Costs**: Expenses that change in direct proportion to production levels, like raw materials and direct labor.
- **Direct Costs**: Expenses directly linked to producing a specific product or service, such as the cost of materials and labor for a particular product.
- **Indirect Costs (Overhead)**: Costs not directly tied to a specific product but necessary for the overall production process, including expenses like rent, utilities, and management salaries.

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KEY TAKEAWAYS

- **Justification**: Explain why these costs are necessary and how they will be used to drive your business forward. Investors want to see that you have a clear plan for how you'll use their investment.
- **Use of Funds**: Clearly outline how you intend to use the funds you raise, not only for covering startup costs but also for scaling and growing the business. Show that you have a strategic plan for deploying capital efficiently.
- **How far will the prize money take my business/idea?**
THANK YOU!